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SALES & MARKETING MANAGEMENT

AUGUST 1992
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1992 MARKETING ACHIEVEMENT AWARDS

COMPENSATION
Restoring Balance to Sales Compensation

COMPUTERS
Putting Sales on the Map

MARKETING STRATEGIES
Home Is Where the Customer Is

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COVER BY GEORGE O'BREMSKI

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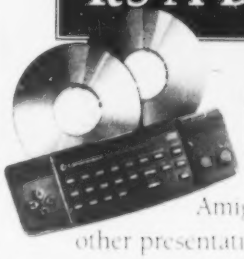

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HOME IS WHERE THE CUSTOMER IS

BY BETSY WIESENDANGER, SENIOR ASSOCIATE EDITOR

Meet Gerry Granville. According to management consultant and author Jeffrey P. Davidson, Gerry is a member of what may be one of the most-overlooked markets in America: home-based businesses.

The story: Gerry was laid off from his advertising job in February 1989. Shortly thereafter, he decided to go into business for himself as a freelance copywriter. But first, he needed to equip his home office.

Although he already owned a computer—an old Compaq portable from the early 1980s—he needed a printer. It was important to Gerry that the printer be portable, since he'd be moving it to his kitchen table every day. He also knew he wanted to buy from a major manufacturer. After visiting several stores and comparing prices, he chose one of Canon's Bubble Jet™ models because it produces near-laser-quality output, received good reviews in computer magazines, and was light enough to tote easily.

When Gerry picked up four new clients within the space of a few weeks—one of whom was his former employer—he suddenly began to outgrow his kitchen-table workspace. Lighting in the kitchen was uneven, and one time he nearly lost an entire project when he tripped over the computer's extension cord. Also, when his kids came home from school at 3:30 each afternoon, they headed straight for the kitchen, thus making it difficult for him to concentrate.

Gerry decided to move his office into the basement. He bought a couple of small, two-drawer filing cabinets and made a desk by laying a piece of lumber across them. Soon he signed on three more clients. Over the next few months, he purchased a new computer, a computer desk, a fax machine, a telephone answering machine, and a bookshelf.

After moving his office yet again—this time to the family den—Gerry was finally set up in a space where he was comfortable and productive. Still, his spending spree continued. By year's end, he had purchased new carpeting for the den, a two-line telephone, a personal copier, a modem, and a laser printer.

Home-based businesses currently comprise a $20 billion market. With the right combination of product and perserverance, you can join the ranks of those who believe "there's no place like home."

WHAT HOME BUSINESSES SPEND

Gerry's purchases follow a predictable pattern, says Davidson, author of the book *Marketing to Home-Based Businesses* (Business One-Irwin, Homewood, Ill., 1991). "Most people start out small and increase their purchasing as they begin to generate revenues," he says. But just how big—and how lucrative—a market are the Gerrys of the world?

According to LINK Resources Corp., a New York City-based research and consulting firm, 11.8 million people are currently self-employed and work full time at home.

KATHY JEFFERS

Add to that those who are employed by a corporation but work at home part-time (10.5 million), people employed by a corporation but work at home full-time (5.5 million), and corporate employees who use computers at home to do office work after hours (10.6 million), and you're talking a potential market of *38.4 million* people for all sorts of business-to-business products and services.

And when you look at their buying power, the news gets even better. LINK estimates that home-based workers spent a total of $20 *billion* on home office products and telephone services in 1991 alone. The Electronic Industries Assn. estimates that this market accounts for 54% of all personal computer sales; and in a survey of *Home Office Computing* readers, respondents said they plan to spend an average of $8,700 on business purchases in 1992, with over half planning to purchase a fax machine or copier in the next 12 months and 41% planning to buy a graphics or accounting software program.

If home-based workers are such a hot market, why aren't more companies pouring money and resources into wooing them? One explanation is that many marketers feel home-based workers are at best a marginal market, citing high selling costs, low purchasing volume, and less opportunity than the corporate market. The most common reason, however, is that home-based workers are simply so hard to locate.

"It's easy to say, 'We know they're out there,' but it's so hard to corral this group. They're so splintered, so nebulous," says Davidson. "But my response is, we know what magazines they read—*Entrepreneur, Success*, and *PC World*, to name a few. We know what groups they belong to: the Small Business Network, the National Assn. of Home-Based Businesses, and the Mothers' Home Business Network, as well as their local PC-users group. And there are many mailing lists of this market for sale."

TARGETING THE HOME BUSINESS

To get a better handle on how to locate home-based workers—and how to sell to them once you've found them—let's take a look at three companies that have managed to penetrate this elusive yet lucrative market.

■ **Citizen America, Inc.** Citizen America, a manufacturer of computer printers in Santa Monica, Cal., utilizes a one-two punch in its marketing assault, conveying its message to home-based workers through targeted *and* mass media.

"I like to get in front of them through publications I believe they're reading, like *Compute* and *Home Office Computing*," says Earl Roddy, Citizen's marketing communications manager. "There are, however, a sizable number of home-based workers who aren't sophisticated enough to be reading these magazines. How are you going to nail these guys? The answer is through newspaper ads and radio—and not just any type of radio. Is this guy going to be listening to the traffic report on AM? No, he'll be listening to background FM music. When a commercial runs about making his home office more efficient, he'll sit up and listen."

Citizen is so hot on home-based workers, in fact, that it has designed a line of printers specifically for them, eschewing the larger corporate market in the process. "The corporate

Home-Based Workers' Organizations

One effective way to get a leg up on the home-based market is to become active in organizations that serve this niche. Many groups sell advertising in their newsletters and directories, as well as rent their mailing lists. Although home-based workers will likely belong to associations specific to their industries (in addition to small-business groups and computer clubs), the following associations cater to a broad-based chunk of this market:

■ **American Home Business Institute,** 397 Post Rd., Darien, Conn. 06820; 203-655-4380. This research organization provides information and education for home-based workers. Its services also include a monthly newsletter for members, group health insurance programs, a hot-line advisory service, and member discounts on office equipment and supplies.

■ **Mothers' Home Business Network,** P.O. Box 423, East Meadow, N.Y. 11554; 516-997-7394. This 6,000-member national organization was founded six years ago to aid mothers working at home. Advertising is available in the group's quarterly newsletter, *Homeworking Mothers*. The network also rents its mailing list of 30,000 home-based working mothers, conducts an annual survey of its membership's buying needs, and offers a free newsletter, *Selling to Home Businesses*.

■ **National Assn. for the Cottage Industry,** P.O. Box 14850, Chicago, Ill. 60614; 312-472-8116. This organization sponsors a trade show each fall, publishes a monthly newsletter in which advertising is available, and rents its mailing list of 60,000 names.

■ **National Assn. of Home-Based Businesses,** P.O. Box 30220, Baltimore, Md. 21270; 301-581-1373. Membership in this organization is open to individuals who own and operate home-based businesses, as well as the professionals who serve them, such as lawyers and accountants. The association publishes *The Home-Based Business Newspaper*, in which advertising is available, and offers a mailing service to members and prospects.

■ **National Home Business Institute,** 615 Mt. Pleasant Rd., Toronto, Ontario, Canada V6H1E7; 416-926-8746. Canada's first and largest association for home-based workers, it sponsors a "Canadian Work at Home" survey in which purchase intentions and psychographic and demographic data are detailed. It also sponsors three trade shows annually and offers consulting services, sells advertising in its quarterly newsletter, and rents its database of 25,000 people who either work at home or are contemplating working at home.

buyer is the great worm on the hook," says Roddy. "Sure, it's easier to sell a thousand printers to one person than to sell one printer each to a thousand people. But I have several problems with the corporate market: One, there's always going to be someone bigger and better known, like Epson, competing against me. Nobody ever lost their job for buying an Epson. Two, a corporate buyer is likely to have a buying cycle of one year. That'll kill you. It might be next year until you finally get the order. Three, you've got competitors on the 'preferred vendor' list to contend with."

The bottom line: "You can keep the corporate buyer," Roddy declares. "I'm going after people who don't know anything about computing. It's like a political campaign: You start with the little people."

■ **AT&T.** AT&T has been reaching out and touching the home-based worker for years, says Mary Lenny, AT&T's home-office market manager. After testing the waters by launching a quarterly newsletter in 1989, she notes, "We began to see that this market really has unique needs. They don't have access to information services and buying clout."

Hence the formation late last year of the AT&T Home Office Network (HON), a free service available exclusively to AT&T long-distance customers. Through HON, members receive discounts from a variety of vendors, including 50% off the start-up fee for the CompuServ database, up to $150 off airfare on Continental Airlines, 10% off purchases from Reliable HomeOffice catalogs, and, of course, discounts off AT&T products such as fax machines, telephone systems, and AT&T's Safari notebook computer.

To publicize the network, AT&T has relied primarily on direct mail, although it also placed ads in a number of selected publications. "When you look at cost per customer, direct mail was really the most efficient way to reach the target market," says Lenny. And although the company is tight-lipped about how it executed its direct-mail campaign, Lenny does say she was able to obtain lists of home-based workers from Dun & Bradstreet and other list brokers.

The result: Home-based workers responded in droves. Over half a million people joined HON in its first month alone, and Lenny says that overall purchases of AT&T products attributable to the home-based market have remained steady—or in some cases actually risen—during the recent recession.

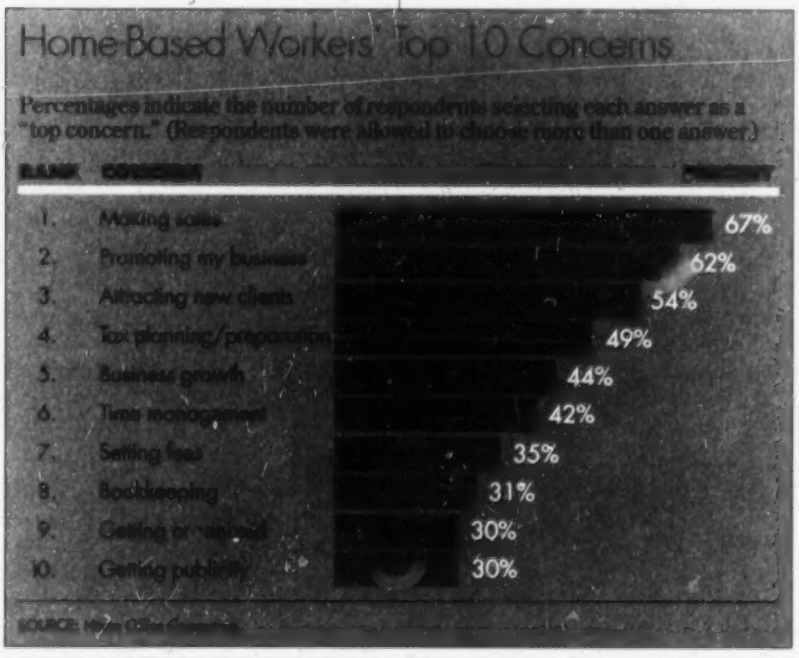
Lenny's only regret is that she waited so long. "I would have liked to put this program out in the marketplace sooner," she says. "This segment has long been neglected because we couldn't reach them and offer a relevant array of products."

■ **Microsoft.** Marketers take heed. When Microsoft—a company whose sales rose an astounding 56% in the last quarter of 1991 alone—says it doesn't have the funds or the people to sell to home-based workers one-on-one, you've got to believe no one does. Still, that doesn't mean the software giant has spurned this market altogether. Instead, its salespeople are going after a related but easier-to-reach group: educators and the staffs of small-business development centers—in other words, the people home-based workers go to for advice.

Microsoft provides these educators with a turnkey teaching tool that includes a supply of 60-page booklets titled *Growing Your Business with Microsoft Works*, as well as a companion manual for teachers and, naturally, a lot of Microsoft software. "The package is a self-guided way for people to learn about the fundamentals of small-business management, such as cash flow analysis, doing an income statement or balance sheet, and writing a sales letter," explains John Sage, marketing manager for the "Works" family of products.

Microsoft provides the package free or for a nominal charge. But does leapfrogging customers to target the people who merely influence the purchase decision actually move more product? Definitely, says Sage. "If you can get the people who are looked upon as trusted advisers to talk about your products and educate small-business owners about using them, you're in a good long-term position."

The linchpin in Microsoft's strategy is distribution. Once the company has pushed customers' "buy" buttons, the product must be available where and when they normally shop. "For a long time, software was sold only in hardware/software stores or software-only mall shops," says Sage, "and that can be inconvenient—not to mention intimidating—to a person just starting up an office. Often, the old-model hardware/software shops held banker's hours. They'd be closed at six every night and all day Sunday. We recognized that people were looking to buy computers and software for their home and small businesses in nontraditional locations." Hence, the "Works" line is sold through mass-merchant outlets, such as Sears and Dayton-Hudson, as well as traditional computer stores.



THERE'S NO PLACE LIKE HOME

If there's anything to be learned from the experiences of Citizen, AT&T, and Microsoft, it's that home-based workers aren't a homogeneous group. How you market to them will depend on the nature of your product or service, the resources you have at

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hand, and what has worked—and hasn't worked—for you in marketing to other niches.

Still, some generalizations are possible. In an Electronic Industries Assn. survey, for example, the number one factor influencing home-based workers' purchases was price. Ranking almost as high, however, were three factors tied to brand dependability: 1) the manufacturer's reputation; 2) warranty/guarantee terms; and 3) service and support provided by the manufacturer.

The Top 10 Home-Based Occupations

RANK	PROFESSION
1.	Consulting
2.	Computer services/programming
3.	Business support/services
4.	Financial support/services
5.	Independent sales
6.	Graphic, visual, or fine arts
7.	Writing
8.	Marketing/advertising
9.	Construction/repair
10.	Real estate

SOURCE: *Home Office Computing*

Clearly, these data have broad implications. "If you're marketing to home-based workers, you want to establish that your product or service is cost-effective, that you stand behind your brand, and that it's efficient to use," notes Hugh Roome, publisher of *Home Office Computing*. "These people are fairly draconian about homing in on what will make their businesses more productive."

And although there's no one best medium through which to reach this market, experts agree that some strategies seem to work better than others. "We found through testing that home-based workers are extremely resistant to talking to telemarketers," says Roome. "And they generally don't want to talk to door-to-door salespeople.

"What this leaves you with is advertising and direct mail," Roome continues. "But don't forget that home-based workers are extremely busy, so it has to be very, very quick. They aren't the kind of people who open up elaborate ten-piece mailers with all kinds of scratch-off and involvement devices. You have to get to them right away with the message of price, effectiveness, and quality."

Catalogs have proven to be another highly effective channel. Research from *Home Office Computing* shows that while only 2% of the general public spends over $1,000 on items ordered through the mail, 25% of all home-based workers spend at least that amount each year.

But no matter how you court this market, warns Jeffrey Davidson, don't come up short on service: "One of the biggest mistakes companies make in marketing to home-based businesses is not having the service function built in. You have to have a system for these customers to get in touch with you if they need add-ons, replacements, or repair."

And while Davidson concedes that service is important to just about any customer, he notes that it's doubly critical for home-based workers. "In the traditional corporate office, the person who orders office supplies has lists of vendors' phone numbers and notebooks of previous requisitions," he explains. "But a home-based worker who is chief cook and bottle-washer usually isn't so good at finding a receipt six months later or keeping a phone number handy. Given this, you might change your packaging. It might have the 800 number or warranty numbers in different, more prominent, locations."

What *doesn't* work, says Davidson, is taking a marketing plan that worked for another niche and simply throwing it at the home-based market. "If you were a fly on the wall and could see where home-based workers work, how organized they are, what kind of equipment they use, and what their schedules are like," says Davidson, "you would make changes in your marketing approach. These changes might be subtle or drastic, but there's no doubt you'd make them. The point is, get to know this customer just like you got to know the traditional corporate customer. It will be worth it." ❖

Survey Datafact

NORTHERN EXPOSURE

While the average yearly compensation for a sales supervisor in the northeast region of the United States checked in at $75,747 in 1991, the compensation for a supervisor in the southern region of the country averaged only $49,400.

SOURCE: S&MM'S *1992 Sales Manager's Budget Planner*

which are backed by a database for organizing and reorganizing this information and transferring data to and from other systems.

"Communicators spend much of their time in meetings gathering and disseminating information, often organize their day by to-do lists, and take fewer—yet longer, more involved—notes."

Although pen computers still generate more talk than action, market tempo is beginning to quicken. GRid's monopoly has been ended by the entrance of NCR and IBM into the market. At the recent Comdex/Spring show, several marketers, including Sanyo Electric, Kurta, and MicroSlate, unveiled pen-based PCs with the latest 486 chips, which will vastly enhance the machines' capabilities. However, corporate buyers have so far remained in a wait-and-see mode, buying small lots for pilot tests.

SERVICES DOMINATE PC USER MARKET

If you want to hitch your product or service to the desktop computer revolution, service industries should be your prime sales target. In fact, six of the 10 industries that account for the greatest share of the 58 million installed micros have "services" in their titles, according to the latest census by Computer Intelligence's Comtec Service. One reason why service-type industries dominate: That's where the "knowledge" workers are concentrated.

Current buying plans indicate services will continue to dominate the PC picture, says Dan Ness, senior industry analyst of the La Jolla, Cal.-based market research firm specializing in hi-tech industries. However, Ness cautions that buying intentions are a short-term factor, "reflecting current hot spots of buying interest." Industry rankings constantly change, he adds, in response to economic fluctuations, seasonal variations, and market maturity. ❖

PC Share by Industry

The Top 10

SIC	INDUSTRY	% OF INSTALLED PCS
82	Education services	20.56%
87	Engineering/ management services	5.05
80	Health services	5.05
73	Business services	3.79
60	Banking	3.16
50	Wholesale, durables	2.76
86	Membership organizations	2.34
94	Human resources	2.25
73	Electronic data processing services	2.19
63	Insurance carriers	2.19

...and the Bottom 10

SIC	INDUSTRY	% OF INSTALLED PCS
89	Services, n.e.c.	0.09%
84	Museums/gardens	0.08
14	Mining, nonmetallic	0.07
12	Mining, coal	0.06
46	Pipelines	0.05
21	Tobacco manufacturing	0.05
10	Mining, metal	0.04
31	Leather manufacturing	0.04
08	Forestry	0.02
09	Fisheries	0.01

Notes: SIC = Standard Industrial Classification; n.e.c. = not elsewhere classified. The federal government groups Business services and Electronic data processing services together in SIC 73, while Comtec separates them into two categories.

SOURCE: Comtec Stratified Database Service, Computer Intelligence Co.

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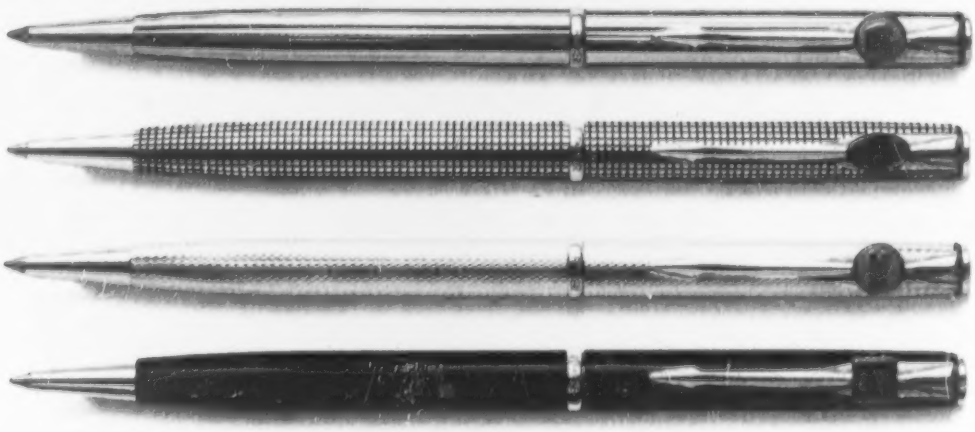

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